REMARKS

Claims 22-26 and 28-29 were pending in the Application, and were rejected after an RCE was filed. By this Response, Claims 28-29 are amended. No new matter is added herein.

In the Restriction Requirement that was issued 03/04/2008 in this case, the elected Species II represented here by Claims 22-26 and 28-29, does not require user inputs and does not embed an algorithm that encodes unique user data in a cryptoprocessor.

Claims 22-26 and 28-29 were rejected under 35 USC 112, first paragraph, for including subject matter that was not recognized as being described in the Specification. In particular, "...a linear combination of permanent and programmable data bits...".

The "linear combination" is, in fact, diagrammed in Fig. 2 as bit positions d0-d15 of magnetic stripe 202. See Specification page 10, line 25, to page 11, line 22. In order to present more immediately familiar language, Claim 28 is amended to recite as its first element, "constructing a single series of magnetic data on a magnetic stripe of a payment card to combine permanent data bits and programmable data bits from parallel fixed-position magnetic-transducer write heads on one side of a thin, planar magnetic stripe, and a moving serial read head on the opposite side that

resembles a parallel-in, serial-out shift register." Such derives from Page 11, lines 6-9.

Claims 22-26 and 28-29 were also rejected under 35 USC 112, second paragraph, for including subject matter that was not recognized as being described in the Specification. Claims 28-29 recite, "said unique transaction encoding is only readable via said linear combination of permanent data bits and programmable data bits", and that was objected to because it was unclear how data bits, rather than the magnetic stripe, can be used to read a transaction encoding.

Claims 28-29 are therefore amended to recite, "said unique transaction encoding is magnetically readable by said legacy card reader via said combination of permanent data bits and programmable data bits encoded on said magnetic stripe for only a limited time or a limited number of card swipes or transactions." The magnetic stripe is expressly used in reading a transaction encoding.

In re Johnston, 77 USPQ2d 1788; Intel Corp. v. Int'l Trade Comm'n, 20 USPQ2d 1161; and MPEP §2106 II C, were cited as rendering the steps in Claims 28-29 conditional because of the use of the word "when". The Office said such steps may or may not be performed depending on whether the respective conditions are met. So as recited, the remaining steps do not differentiate over the prior art.

Therefore, in Claim 28, the step is amended to recite, "detecting and triggering said data generator with a card-swipe detector proximate to said magnetic stripe in contact with said moving serial read head in a legacy card reader." And in Claim 29 the parallel element is amended to recite, "a card-swipe detector proximate to said magnetic stripe for detecting and triggering said data generator in contact with said moving serial read head in a legacy card reader." The phase, "when triggered is deleted from the next element.

Claims 25 and 28-29 were rejected under 35 USC 103(a) as being unpatentable over Cooper, in view of Geiselman (US 6,466,780), and in further view of Singh (US 2002/0032657). Cooper was credited with teaching more than it really does and the relevance of each citation has been stretched.

Cooper does not teach a mixing of fixed magnetic bits and programmable ones. The programmable magnetic stripe 10 appears only in Figs. 3-5, and Cooper's Fig. 4 clearly shows control circuit 11 with connections 22-23 to write every magnetic coil 21 and flux 24. Thus all bits are programmable.

In contrast, Claims 28-29 recite as their first element, "a single series of magnetic data on a magnetic stripe of a payment card that combines permanent data bits and programmable data bits from parallel fixed-position magnetic-transducer write heads on one side of a thin, planar magnetic stripe, and a moving serial read head on the opposite side that resembles a parallel-in, serial-out shift

register". For example, see Fig. 4 in the Present Application for moving read head 410 and Fig. 2 for magnetic stripe 202 with permanent data bits 213-216 and 222-225 that are intermixed and combined in a straight line with programmable data bits from write heads 210-212 and 217-221.

In order to allege that Cooper taught this element, the Office Action skips over mentioning the permanent data bits are intermixed and combined with programmable data bits from the write heads.

So in context, the step of controlling does not include controlling the permanent data bits. And yet the Office Action alleges this element too has been taught by Cooper.

For the third element, Cooper actually teaches, "In addition, the loading of pattern into [magnetic strip] 4 may be caused to occur only when another command is generated by the operator, or only upon or after insertion of the card in a device which uses it." Col. 3, lines 43-47. But the Office Action warped the relevance of this by alleging it teaches, "triggering said data generator when swiped by a read head in a legacy card reader." Cooper does not ever mention "triggering", "legacy card readers", "swiping", nor "read head". Cooper says the loading of a pattern can occur after insertion of the card. Claims 28-29 say to trigger it when the card is swiped. Thus requiring nothing unusual or new behavior of the user.

Nevertheless, the Office Action alleges this third element too has been taught by Cooper. Of course it has not.

Cooper was admitted to not specifically disclose that the magnetic stripe includes a linear combination of bits including permanent data bits. And although Cooper is alleged by the Office to say their card is able to detect when it is swiped through a card reader, Cooper is admitted to not explicitly state that their card has a card-swipe detector proximate to the magnetic stripe.

So without any objective reason to do so, the Office selected Geiselman and Singh to supply the missing parts.

The Statement of Motivation to Make the Combination Claimed, which was offered by the Office, is traversed. Here, the Office offers the combination is obvious if one wanted to modify the magnetic stripe of Cooper to include the fixed/programmable combination disclosed in Geiselman to prevent unauthorized use. And Singh is added to output the data onto the magnetic stripe only when the card is swiped.

The Office is bootstrapping, and using hindsight provided by the Present Application. No objective reason has been offered as to why an artisan would have seen beforehand to add the teachings of Geiselman and Singh to Cooper. The Office has failed to make a prima facie case of obviousness.

Geiselman is supposed to disclose "a card with a magnetic stripe that includes a linear combination of

programmable and permanent data bits (col. 11, lines 26-38; col. 12, lines 1-7, 28-30)". But Geiselman doesn't even involve payment cards, it's directed to a method and apparatus for securing digital communications. The relevance of Geiselman is being stretched to support the 35 USC 103(a) rejection.

The first cite at col. 11, lines 26-38, actually says,

> Still referring to FIG. 2, the card 70 of the present invention makes use of conventional magnetic media supplemented with at least one electronically generated bit of information. This electronically generated bit may occur anywhere in the magnetic strip 72, including the region 78 containing a cyclic redundancy check or other verification code such as a check bit system, the region 80 containing an identification number, the region 82 containing the transaction specific code, or any other region. Further, the electronically generated bit may comprise its own region 84, perhaps indicating to the host through a card reader that the user is authorized, i.e., has successfully entered the personal identification number.

How exactly does the Office conclude from this "a card with a magnetic stripe that includes a linear combination of programmable and permanent data bits"?

The second Geiselman cite at col. 12, lines 1-7, actually reads,

> In another aspect of the invention, this electronically generated bit or any number of electronically generated bits may be provided to indicate other information about the use of the card, such as an excessive number of attempts to enter the personal identification code. Other uses for additional electronically generated bits will become apparent in particular applications.

Again, how exactly does the Office conclude from even this "a card with a magnetic stripe that includes a linear combination of programmable and permanent data bits"?

The rejections appear to be inappropriate.

Claims 28-29 clearly say that that the swipe detector is used to trigger the data generator, e.g., detecting and triggering said data generator with a card-swipe detector proximate to said magnetic stripe in contact with said moving serial read head in a legacy card reader." And yet Singh teaches a "A swipe detection unit 6 is connected to magnetic code generator 3 and/or magnetic strip 2....After a single swipe through a card reader, swipe detection unit 6 sends a signal to the magnetic code generator 3 in order to deactivate magnetic strip 2." How is deactivating the magnetic strip relevant to triggering the data generator to send a unique transaction encoding?

Singh does not teach what it needs to in order to help Cooper make Claims 28-29 obvious.

As a result, Claims 22-26 and 28-29 should be allowable. Should the Examiner have any questions or suggestions, the Applicant's Attorney would be pleased and available to discuss them, or any other concern, by email or at the telephone number listed below.

Respectfully submitted,

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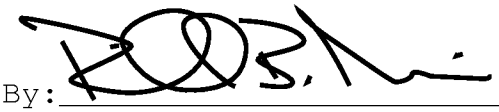
By: 

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